



HOUSE OF LORDS

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The Select Committee on Economic Affairs

Inquiry on

THE ECONOMIC CASE FOR HS2

Evidence Session No. 12 Heard in Public Questions 133 - 142

TUESDAY 18 NOVEMBER 2014

4.35 pm

Witnesses: Dr Ian Kelly, Ross Smith, Joe Anderson and Steven Leigh

Members present

Lord Hollick (Chairman)
 Baroness Blackstone
 Lord Carrington of Fulham
 Lord Lawson of Blaby
 Lord May of Oxford
 Lord McFall of Alcluith
 Lord Monks
 Lord Rowe-Beddoe
 Lord Shipley
 Lord Skidelsky
 Lord Smith of Clifton
 Baroness Wheatcroft

Examination of Witnesses

Dr Ian Kelly, Hull and Humber Chamber of Commerce, **Ross Smith**, Director of Policy, North East Chamber of Commerce, **Joe Anderson**, Mayor of Liverpool, and **Steven Leigh**, Mid-Yorkshire Chamber of Commerce

Q133 The Chairman: Gentlemen, thank you very much for joining us for this session. What I would like to do is to start off with a general question but, in answering it, could you also please just give us a brief idea of who you are representing? As a matter of course, during this session, because there are four of you, if you agree with what the previous speaker has said, a nod will suffice, so that not necessarily everybody has to answer every question. Mr Anderson, could you start us off please? The general question is: are you in favour of or against HS2 and, if so, why?

Joe Anderson: Mayor Joe Anderson, representing the Liverpool City Region and the businesses in the Liverpool City Region. Yes, I am in favour of HS2. I have been a big supporter of HS2 and, if that is the kind of straightforward answer that you wish, that is fine, but I have plenty of other things I would like to say about having connectivity to Liverpool and to Liverpool City Region as well.

Ross Smith: I am Ross Smith. I am Director of Policy at the North East Chamber of Commerce. We represent about 4,000 businesses in an area between the Scottish Borders and the top end of North Yorkshire. Yes, I would say that we are in favour of investment in rail capacity, including HS2. As a relatively remote region within the context of England, connectivity is vitally important to the north-east of England and to its businesses. The East Coast Main Line is one of our major transport assets and it is going to hit severe capacity constraints in the next 15 years. HS2 has to be part of the solution to addressing those constraints, but there are some caveats to our support, which I will come on to later.

Steven Leigh: I am Steven Leigh. I am Head of Policy for the Mid-Yorkshire Chamber, which covers Wakefield, Kirklees and Calderdale in West Yorkshire. I am a Director of the Chamber. Am I in favour of HS2? Our answer to that is we are very much in favour of a UK high-speed rail initiative, but we are not in favour of the HS2 proposals. In our view, HS2 has

had little regard to social, economic, environmental or operational railway considerations. As we progress through the afternoon, I will give some reasons why that is what we believe to be the case.

Dr Kelly: Ian Kelly, Hull and Humber Chamber of Commerce, the other good-looking mouth of the Humber from my part of the world. Our point of view is that we have no objection to HS2, but I do not think we would definitively go so far as to say we are in favour. We would like a clearer picture of where it fits in, in terms of displaced rail spending, because there is some immediate-type rail spending that would certainly benefit our part of the world. By way of comparison, we do very much like HS3, particularly if it is what we call the Hullerpool line, going right through from Hull to Liverpool. That is a particularly good idea and offers much more significant, immediate benefits to our part of the world.

The Chairman: Mayor Anderson, would your enthusiasm for HS2 in any way waver if there was no direct link from Liverpool to HS2?

Joe Anderson: In all honesty, no. I believe that it is good for UK plc. It is good that the country invests in its infrastructure and its transport systems. It is absolutely crucial if we are to keep pace with competitors around the world. However, the concern for me is not having a connection to Liverpool. It is that what it will do, instead of rebalancing the economy as it is suggested it may well do, is create more inequality, because there will be those who are connected, who benefit, and those who are not connected, who will not benefit. That is the real concern.

Of course, as Liverpool invests in the SuperPort in Liverpool, which opens up the west of the country to freight from the Far East and America, we have to have increased capacity in order to get that out. We have invested £320 million in what we call a SuperPort, which is post-Panamax, so we can take some of the biggest ships in the world, and we have to make sure we are able to get that freight out.

It is going to cost a spur. We have asked for an FOI from the relevant departments to ask what the cost would be for 20 miles, because that is connection from Crewe to Liverpool. We are talking about round about £650 million. That is a very small price to pay for the estimated—not by me but by independent people—10,000 jobs that would be created. It would boost the GVA of the local economy in the city region by a massive amount. We are talking literally billions. It is absolutely, for want of a better description, a no-brainer that we should invest in the spur that connects Liverpool. What I would also say, my Lord, is that as far as I am concerned, if I had a choice between HS2 or HS3, I would go for HS3 all the time, because it is seriously about connecting cities to drive economic growth in those cities to genuinely rebalance the economy.

Q134 Lord Lawson of Blaby: I have two connected questions. Listening to the Mayor of Liverpool, it seems to me that your case—and I accept the fact that you think HS3 is more important than HS2—is not the one the Government, and not just this Government but the previous Government too, have been making about the great saving of time for businessmen and, to some extent, for commuters. Your case, as I understood what you are saying, is based more on the needs of freight transport. Is that the case?

Joe Anderson: Absolutely, yes.

Lord Lawson of Blaby: This is something that seems to make very good sense to me, but we have not really had a worked-out case from the Government on that, even though logically that clearly makes sense. All of you, but those particularly from Yorkshire who are sceptical of the priority accorded to HS2, apart from HS3, which you are all in favour of, are there any other improvements in rail links that would be more important to you than HS2 and that you think could be done sooner and probably more cheaply? Is there an alternative that you would think more sensible?

Steven Leigh: That is a very interesting question. Our members, the businesses with which we liaise in our parts of the world, are far more interested in local transport links and trans-Pennine connectivity than they are about north-south connectivity. You mentioned, Lord Lawson, HS3. As far as I know, that has only existed as a concept for three or four weeks and it certainly has not been worked out in any great detail.

If you imagine taking a different route from HS2, which is the basis to our objection to HS2, by going straight up the country on what is called the M1 corridor where there is an existing railway, and if you then imagine a spur from that north-south railway right up to Sheffield, straight up the country, going over and getting to Manchester through a reopened Woodhead Tunnel, then the alignment of that route is naturally going straight to Liverpool. It is very easy to continue. Manchester would therefore become a through station, not a terminus station.

Now, billions of pounds are being bandied around in all of this, and somebody put an estimate of £7 billion for some concept that HS3 would be different from HS2. In our alternative view on this, HS3 would not exist, because our version of the high-speed line would already encompass HS3. Likewise, coming out from Liverpool through Manchester and the Woodhead Tunnel at a triangular junction somewhere east of Woodhead, it would go south to Sheffield and north to Leeds. That then opens the whole of the north-west to a high-speed route. Not only does it go to Leeds but it opens up an opportunity to carry on to Hull and farther north to Newcastle, at a saving of £7 billion.

Yes, I like HS3, but I do not think it is necessary in the context of our alternative design. On the whole, not only is an alternative route up the central spine of the country beneficial in almost every way, but the total savings on the present HS2/HS3 project are around about £20 billion, and that is why I feel it is important enough to come here today from Yorkshire to say that this is big bucks. If £20 billion is an exaggeration, even £1 billion is almost impossible to

imagine, but very considerable savings could be made if this flawed HS2 route were not adopted and a far more logical connected route were to be adopted.

Q135 Lord Carrington of Fulham: My question probably follows on from that. The whole basis of HS2 is to cut the journey time, is it not, for passengers, not for freight? Insofar as it affects freight, as I understand it, it is because it removes congestion from the existing freight lines. Is that your understanding of it?

Steven Leigh: The original reason given for HS2 was speed. Predominantly, ordinary people around the country were against that, because the most common statement made was 10 minutes or 20 minutes does not make any difference from Manchester to London. The *raison d'être* then became capacity and, in fact, HS2 does not give you a tremendous amount of additional capacity, which is a concept I can further explain, but it became capacity. I now think that freight movement and connectivity have started to come into it. Hence, the new spur to Crewe, because the fact is that HS2 does not connect to the existing railway system. In simple layman's terms, I say to people that you would not build the M1 with no junctions on it.

The first phase of HS2 goes from London to Birmingham, with no stops and no connectivity. It is a two-track railway, which is tremendously vulnerable to problems. It is tremendously vulnerable to even routine maintenance. Because of the high speed of these trains, its own capacity is quite limited, because these things have to go so quickly they have to have a larger separation between trains than conventional trains, so you can only process about 19 trains an hour. In fact, these are fatuous arguments about the capacity that HS2 brings; because it does not connect to the rest of the network, it is very difficult for the rest of the network to derive benefit from it.

Lord Carrington of Fulham: You do not see any advantage in reducing the passenger journey time from the north-east and the north-west down to London.

Steven Leigh: I absolutely do. The alternative plan that we have is, on average, on all national routes, 40% quicker nationally because it connects to the network. On the specific city pairs of HS2, it is minutes slower on two of them and minutes faster on the rest of them.

Lord Carrington of Fulham: If HS2 were built, you have suggested, Mr Leigh, that perhaps that would have a negative impact on other intercity services. How does that work? I do not really understand why that would have an effect.

Steven Leigh: If HS2 were built, there is no connectivity between London and Birmingham. If it goes off in that direction, there are other problems we know about in terms of the damage that would be caused by going in that direction. The cost-benefit is lost, because going straight up the country demands less track. Our alternative plan is a four-track high speed railway that we will build, and it connects with everywhere else in the country. Our concern is, if we embark on this first phase on HS2, the damage is done and the opportunity to avail ourselves of a far more logical, sensible network of high-speed rail will be lost, and we will pay about £20 billion more for the privilege of choosing the wrong route.

Lord Carrington of Fulham: Can I just ask, just to clarify, if you all agree with that?

Ross Smith: No. From our perspective, capacity has always been the biggest issue for the north-east. I can see the speed argument for some of the regions that will get a bigger relative increase in speed but, as far as the north-east is concerned, capacity is the biggest benefit. That capacity is only going to be realised in full if we make investments on the conventional lines at the same time as we are creating HS2. We need to make investments in the East Coast Main Line, particularly north of Northallerton, in order to ensure that the capacity for both passenger trains and freight that will be freed up by HS2 delivers the full benefit to the north-east.

Lord Carrington of Fulham: Does just removing traffic from the existing network on to HS2 not then free up capacity on the existing network in a sufficient quantity?

Ross Smith: Once you get north of Leeds, then you are putting the trains back on to the existing line. As things currently stand, that would mean reducing some of the conventional services on there, so you would have marginal benefit. If you make some increases in capacity in passing places at speed on the East Coast Main Line, particularly north of Northallerton, then you can significantly increase the benefit that you are going to get to the north-east from the HS2 investment.

Lord Carrington of Fulham: You were shaking your head as well, Dr Kelly.

Dr Kelly: From our point of view, the capacity issue is key. If you are going to have a world-class rail system, it does need to be about the long-term as well as the short-term issues. The impression I have got in meetings with the Secretary of State for Transport is that there is no alternative to this, if you will excuse the phrase, in terms of the long-term vision and looking at Britain's railway system—a Victorian-based structure. We have had a transformational world in the past, with Isambard Kingdom Brunel and his ideas. However, given the fact that the World Economic Forum puts the UK 27th in terms of overall quality of infrastructure—the second-worst in the G7—it is hardly world class in terms of where we are currently. There is an open-mindedness to a world-class, long-term vision, not based on knocking 10 or 15 minutes off a journey time but the fact that passenger numbers have doubled and, therefore, there is a huge capacity issue, it appears.

Our issue is more the finely tuned argument about immediate needs, in terms of spend now, to keep the show on the road, as it were, because there are so many problems and bottlenecks. About a quarter of rail freight for the UK comes out of the Humber, and work on a couple of pinch points at little places you have never heard of, like Barnetby and Gainsborough, are the sorts of things that could do quite a lot transformationally in our area, with miniscule amounts of money. It is more about ensuring the current transport spend does not miss out, as well as having the vision for the longer term objectives.

Q136 Lord Shipley: Could we just explore in a bit more detail the capacity constraints? Each of you can think and then talk about the area that you are based in. Look at capacity; we would like to know how you define those capacity constraints. Some of it we have heard, but some of it we have not. Look at it from the perspective of commuting, regional and sub-regional; intercity, both London and Scotland, but also cross-country; and then freight, and in particular access to ports, because the Humber is not the only port we have represented here. It would be useful to get that perspective, and then could you just look at the issue of, for commuters or passengers or, indeed, for freight, having longer trains? On some of the lines that we have now, which may be pressured in terms of capacity, you might solve it by simply having longer sets of carriages.

Joe Anderson: I would just like to re-emphasise the point that, for me, HS2 should happen. I am really disappointed that the debate and the politicians who are going to make this decision are gripped by some sort of inertia because of austerity. The fact is that this is a long-term investment for 30 years, and that is the way we should look at it. If you are going to invest, you have to do that properly. If you are going to refurbish and develop your property, you do not leave half the roof off.

For me, HS2 put forward the strategic case themselves, and with your permission I will just give a quote, and it is on the argument for capacity. It says, “We believe the demand for carrying freight by rail will only grow. Industry is concerned by rising diesel prices, which they predict will rise by 36% by 2040. They see rail as playing an increasing role in transporting freight to maintain affordable prices for goods in the future. The Government also see an increasing role for rail freight in transporting goods around the country. The congestion and carbon benefits that this can provide, as lorries are moved off the road, will increase economic activity and support the recovery”.

On your question, Lord Shipley, in terms of the issues that we face, there is no question that the investment in the SuperPort in Liverpool causes anxiety and concerns, in the sense that it is predicted that there will be an increase of between 400% and 500% in freight coming into the west through Liverpool. Seventy-eight per cent of goods consumed north of Birmingham come in to the south of England, and then are transported from the south of England up north. The SuperPort is post-Panamax, so we can now bring the biggest ships in the world into Liverpool. That means we have to get that freight out of the city of Liverpool. Otherwise, it goes on to the M62 and on to the M6, which becomes a car park.

Looking long term for the next 10 or 15 years, it seems to me absolutely common sense to look at that investment now and create that spur into Liverpool, which frees the capacity to take the goods and the freight from the SuperPort and out across to the Humber and across to Hull, so it goes into eastern Europe as well. That, for me, is the most crucial and important thing in this debate. Yes, the argument should be about investment in UK plc. If we are serious about rebalancing the economy, it is absolute madness to invest so much money. It is like investing in your house and forgetting to do your roof. It is just nonsensical to me. This means that investment in the SuperPort in Liverpool can benefit the UK. We are talking about 14,000 jobs being created in the city region, as a result of that spur coming in. We are talking somewhere round about £11 billion GVA increase into the Liverpool City Region. That is something that we should want in this debate: that our cities grow and we unleash the potential for our cities to grow. Leaving out that connection will only, as I say, create inequality, and it will be those that are connected and those who are not connected.

Lord May of Oxford: If I understand you correctly, you do not have complete confidence in the Department for Transport.

Joe Anderson: The point that Lord Lawson made before is an absolutely valid point. He picked up on what I said about freight. I do not really think there has been a clear case made

for, or an economic look and scrutiny of, the benefits. It has just been based on speed. Yes, that is important; it is important to a UK economy competing with our global competitors, but it is also important to recognise that it frees up that opportunity to move freight.

Can I just make this case as well, in terms of the length of trains? Lord Shipley mentioned the length of trains. Just to accommodate HS2, we will have to upgrade our main line station, Lime Street station. We will have to invest heavily just to accommodate the length of trains. Again, we make that investment. We have to do that because HS2 is going to happen, rather than creating the opportunity to build a spur into Liverpool. That frees up capacity, and we can make a contribution to that, as a port city, and to the UK and to its growth.

Ross Smith: In terms of passengers, numbers on the East Coast Main Line have grown by something in the region of 40% over the last eight years. That scale of increase is forecast to continue, and that is going to put the East Coast Main Line at capacity within about 15 years, so we need to make investment just to protect the efficiency of the transport links that we have from the north-east. If the right investments are made, it should also enable more direct links to London from both Middlesbrough and Sunderland, so creating extra connectivity from different parts of the region as well.

In terms of the commuter trains operating within the north-east, yes, there is certainly a case for investing in more and better carriages, and we have a couple of key franchises coming up where we would like to see that included.

In terms of freight, there are forecasts over the same 15-year period for an increase in rail freight traffic to the north-east of potentially about 50% but, speaking to some of the users of rail freight, there are concerns that an increase in the order of about 5% would see the line gum up. At that point, because of the lack of passing places, it becomes difficult for freight and passenger trains to use the line together, so we do need to make that kind of investment, both in the East Coast Main Line and in some extra routes that could support that. One in

particular is the Leamside Line, which would run parallel to the East Coast Main Line through a large stretch of the north-east and be very supportive of getting rail freight into the port of Tyne.

Steven Leigh: The first thing I said was that we are very much in favour of a high-speed rail system, so I do not want anybody to believe that we are not, because we are. It is gratifying to hear my Chamber of Commerce colleagues say that capacity is the issue because, on our alternative proposal, which if you remember I said is a four-track railway, as opposed to a two-track railway going through the Chilterns, the magnitude of difference between two tracks and four tracks is greater than two. The amount of capacity freed up by our alternative proposal is a lot more than you get with HS2. Whatever that is, I am agreeing with my colleagues and we get more with our alternative.

I also mentioned earlier that the very route that we will be taking gives us this trans-Pennine connectivity by cutting through Woodhead straight into Manchester, with an easy alignment into Liverpool. My colleague on the panel from Liverpool has aspirations for the northern cities. Those aspirations are met already by our version of this, without any talk of HS3, because it opens up the prospect of connectivity all the way from Liverpool to Hull. We get all of that. We agree with all of the good things about HS2: the jobs, the infrastructure spend and all of those things. It is just that HS2 is the wrong route.

Q137 Lord Shipley: Could I just ask you to look at the capacity constraint question that I asked about West Yorkshire? You are representing Kirklees, Calderdale and Wakefield. Could you talk about the capacity constraints that exist now in that area, and how you would like to see those solved?

Steven Leigh: There are a number of capacity constraints, and that is mainly because Leeds is absolutely full up. All routes lead to Leeds. There are alternatives that could be looked at to free up capacity in West Yorkshire generally. One of those might be where you have heard of

the connection called Crossrail in Bradford between the two stations, which are both terminus stations half a mile apart. If they were linked, that would open up north-south connectivity to the north.

For Manchester connectivity with Leeds, there are two tracks, the Calder Valley Line and the TransPennine Line. They are both full up. On the proposals being made under HS3, whatever they might be, all I have heard is an upgrade to particularly the TransPennine Line. On the one hand, there is a proposal to just upgrade the TransPennine Line; on the other hand there is a proposal to reopen a third line, which brings a massive quantum leap in capacity across the Pennines by utilising the Woodhead route. Not only do we get HS3 for nothing, compared with spending £7 billion on it following an HS2 implementation; we also get the benefit of that massive capacity increase. Incidentally, the work on that closed-down line through Woodhead would not affect anybody else. We could start it now. It would not slow the whole system down, and that is a quantum capacity increase that is possible and available to us if we want to take it.

The Chairman: Could we just hear from Hull and Humber about their capacity problems?

Dr Kelly: If you will forgive the Irish in me, if I was going there, I would not start from here. The last Labour administration prioritised education and health—Governments make choices. That was understandable at one level, but we have historically fallen back on transport and we are in a worse place from a business perspective that we would like to be. That is why there are issues about catch up immediately to keep the show on the road, as I say, whilst at what point do you hit your vision. Is it 2035 or 2040 in terms of those judgment calls to be made?

I was part of the delegation led by Alan Johnson, at the time, with the support of Lord Prescott and Hull City Council, to get a Hull train service direct to Hull. That has been transformational for our city. That capacity to go from listening to Chris Garnett at GNER saying you can only have one route in in the morning and one route back at night to the seven

direct rail routes that we have now has made Hull somewhere that is not, as Larkin called it, “the end of the line”, but is now obviously the gateway to Europe and much beyond. The serious point is that the growing transformation of Hull as a city has been heavily predicated upon that.

As we come towards a Hull City of Culture, the fact that we want that to grow and to get rail electrification, for example, is absolutely essential. It is the same into Cleethorpes from Doncaster, otherwise dare I say, Lord Lawson, that we may or may not get the offshore renewables opportunities on the Humber. That transformational opportunity for our part of the world that usually gets Cinderella-scale transport investment could be lost. An extra few or longer trains will not help there, but it does come back to the argument about East Coast Main Line capacity being freed up for passengers or freight, which is advantageous for us, even if this HS2 goes to some other places in other parts of the north.

Q138 Baroness Wheatcroft: There has been a lot more discussion this afternoon about freight than generally takes place around HS2. I wondered, bearing that in mind, whether you feel that the potential alternatives to HS2 have been given proper consideration. I know that you, Mr Leigh, obviously feel that your scheme probably does deserve more consideration, but generally I would like to ask you all whether you feel that there has been a fair hearing: a proper investigation of the alternatives and the amount of money that needs to be spent just on keeping what we have working as well, so that one looks at it in the round. Perhaps we could start with you, Mayor.

Joe Anderson: My own view is that, yes, there has been a fair debate, if you like, of the arguments and rationale for investment in high speed. It is something that I believe has been made. It is something that I agree with. As I said earlier, my view is that we should, as a country, be investing in high speed, but it is not just about high speed. It is about an opportunity and a long-term investment. For me, it is important for us and this Select

Committee to understand the opportunities of a faster connection and, equally, more capacity in the case of Liverpool as a port. The reality is that businesses are making decisions as we speak, maybe as the country is coming out of recession, about the long-term future for themselves and investment. If we are not connected, and cities are not connected, it comes back to my point about the inequality that will result. It is important that Parliament, and you as this Select Committee, as important as it is, understand that we need vision and aspirations to invest now for the future.

This is why this debate is being constrained on the back of austerity and people not being afraid to speak out and say we should be investing in the long-term future and making sure we connect cities. I liken London to a magnet that is sucking the life out of cities. We need to give some power back to cities, not so that we can suck the life out of London, because we all want London as a capital to be successful, but equally to let cities grow and city regions grow and prosper to make an impact to the UK's economy.

Baroness Wheatcroft: Our previous witness this afternoon, from France, told us that the major beneficiary from high-speed rail had been Paris.

Joe Anderson: That is a concern, yes.

Ross Smith: Freight is clearly important, but passenger rail capacity is extremely important as well. The scale of the challenge there requires new lines to be built. If you are going to build new lines, then there would be a question of why you would choose to invest in substandard technology, rather than to go for a high-speed line as you do that. My comment would be not so much that the alternatives have not been explored enough, but that there has not been enough focus on some of the complementary investments on the conventional lines that need to go alongside that. For example, there is an assessment that the economic benefits from the eastern leg of the Y are about £4.6 billion, but that could potentially double if you make the investments in the East Coast Main Line at the same time. We need to see this as part of an

overall strategy for increasing capacity in our rail network, and see HS2 less as a single standalone project.

Baroness Wheatcroft: Thank you very much. It is part of an overall strategy. That makes sense.

Steven Leigh: I do believe that there are alternatives. I emphatically do not believe that they have been given fair and adequate consideration. If any of the statements that I have made this afternoon sound too good to be true, well then I challenge, together with the designers of HSUK, which is our alternative system, anybody from HS2, anywhere, anytime, to come and refute what I have been saying. It has been almost impossible to have the debate, and that is what I most object to.

The Chairman: Have you had any engagement with the Department for Transport on this? Have you had detailed discussions?

Steven Leigh: We have attempted to have detailed discussions. The designer of HSUK is an observer to these proceedings now. He has been engaged with the House of Commons on this. The fact is that there is a series of consequences that have been at work here. The first thing was that somebody decided 400 kilometres an hour was a speed that might be appropriate for high-speed rail. If a train runs at 400 kilometres an hour, the track has to be as near as damn it dead straight. It does not allow for any bends. At a slightly slower speed, which is our design, of 360 kilometres per hour, that track can be laid within the confines of the existing M1 corridor, whereas it cannot at 400 kilometres an hour, hence the decision to go in a north-westerly direction across the Chilterns and hence the massive additional cost to be incurred there, because they have had to put it in tunnels to placate the people, quite understandably, who live in that area.

It is just a simple decision somewhere: "Let us go at 400 kilometres an hour". The people who then picked that up and designed it have taken that statement absolutely literally, and

common sense appears to have gone right out of the window. It does not make any sense to have a new two-track railway between London and Birmingham that does not connect.

Specifically on your connectivity question, essentially HS2 only connects with the cities that are on it now, so that would be London, Birmingham, Manchester, Leeds and Sheffield, and several of the stations are out of the city. Ours integrates with the whole of the network. The city pairs on HS2 are about 14. The city pairs on ours are 55. It is hugely more connected than anything that can be delivered by HS2.

Baroness Wheatcroft: Dr Kelly, is there anything you would like to add?

Dr Kelly: We had a very nice presentation from some people at HS2, who came to see us recently, and one particularly therapeutic picture they gave us made rail travel seem very pleasant and certainly not always like the journeys I have when I come down to London. I am very seized, Baroness Wheatcroft, by your remark about France and the benefits to Paris, as to the rest of the country. For me, not having the technical expertise to argue with transport experts, I sense that HS2 could be equally as good for London as it could for the north.

The bigger issue that hit us is that, if you can spend £15 billion on Crossrail crossing one side of London to the other, that would be a powerful spend on the north of England to create Hullerpool in terms of a northern hub, as was said to be the Chancellor and Prime Minister's ambition when they came to Leeds recently. He did not mention Hull and Liverpool quite as much as the Mayor and I had hoped, but that is powerful in terms of our economic development opportunities. I understand the congestion issues in London, but the economic development opportunities, which would rebalance Britain's economy, were very powerful there.

Q139 Lord Monks: Can I just move on to this area that is being pursued about the balanced economy? It takes more than a transport link to build up an economy. We have been receiving evidence about the role of local enterprise bodies, to which I think some of you are

connected, and what they can do to generate the kind of entrepreneurial and business activity that you need around the various railheads that would exist in a high-speed network, leaving aside for the moment some of the arguments about where that is. How do you see the role of LEPs as an important ingredient in maximising the benefit of high-speed rail?

Joe Anderson: My answer to that, Lord Monks, is simply to say that, clearly, if we were aware that there would be a spur into Liverpool, we could argue how it could be beneficial. The Local Enterprise Partnership has produced a report that sets out the economic case for the spur into Liverpool in their view, and the private sector as well as the LEP have created a campaign called 20 Miles More, because that is all it is from Crewe. It is less than 20 miles more into Liverpool. They have produced reports that set out that case.

Clearly for me, there is no question that a spur into Liverpool Lime Street would be able to attract new businesses and investment around that particular area, and that is absolutely clear. It would revitalise that part of Liverpool and that part of the city centre. Clearly that will not happen if there is not a connection coming into Liverpool. Even if HS2 just takes place as it is, we will have to modernise to a certain extent Lime Street, which is our mainline station, to accommodate the length of the new trains coming in. Clearly if we were to do that, I would like to do a lot more than that to create more jobs, more businesses and more growth within the particular area of central Liverpool.

Ross Smith: That is perhaps a bigger issue if you are talking about Birmingham, Leeds or Manchester, the cities that are going to be directly on the HS2 route. Clearly from a north-east perspective, it is an important link, but then so are the investments that we are seeing in the A1 and the A19, and so are the rail gauge enhancements that we need to our ports or our flights to Heathrow, Dubai and New York. I would expect the LEPs to take an interest in all these issues.

In terms of the wider question about rebalancing, that has probably been slightly overdone, but that does not mean that you do not invest in the link. If the argument is that a link between the north and London only benefits London, then the logic would be we should start sabotaging the roads and the rail lines that we already have, but I do not think any of us are intending to go out and do that.

Steven Leigh: The benefit of east-west communication across the north is the key to trying to close this north-south divide, far more important than any north-south activity, especially when there is a suspicion that most of the sweeties go to the big city. You have heard that this afternoon. That east-west connectivity is very important. The LEPs in our part of Yorkshire are also very important. That, together with the idea of core cities and more localism in decision-making, is certainly welcomed in my part of Yorkshire anyway. The problem with the LEPs thus far has been that the funding has not exactly been adequate. Amongst the business community that we engage with on a daily basis, there is still some suspicion about the LEPs—that maybe they are an extra layer of government that we do not need. Our Chamber's view is that we work with them; we hope they will succeed. We hope the funding is going to be improved, and with the LEPs across the north of England all beating the same drum, I think that we can do well to narrow the north-south divide.

Dr Kelly: From our perspective in the Humber, we would probably say the LEPs are still a work in progress, particularly the evolving relationships between individual local authorities and the LEPs, and also the combined authority concept and the LEPs, and where power lies, because there are many local authority colleagues who do think that this is probably their money and they should largely be shaping that agenda as democratically elected people. There may be colleagues around here that take a similar view, and I would not disagree with the logic of some of that.

From a business perspective, we had four local authorities in the Humber when we established the Humber LEP. They were all at slightly different variances. Greg Clark as Minister was kind enough to come to the Chamber so that we could help get a common line for a Humber LEP and capture the enterprise zones before we missed the chance. You would have to ask one of your colleagues, Lord Haskins, because we passed the baton on to him, about how he enjoys herding the cats that are the LEP stakeholders. The essence of our thinking on transport, which is important to business, is that one northern transport body has the greater strategic capacity we need than just relying on individual LEPs to make strategic transport decisions.

Q140 Lord Rowe-Beddoe: Mayor Anderson, we have heard an interesting session so far, in what you have been saying. There does seem to be some commonality that we need a high-speed link, although there is a variation, as to what we have heard. My set of questions is really about the rebalancing of the UK economy, bearing in mind what Baroness Wheatcroft said with regard to London perhaps benefiting more. What can we do to rebalance? That is really my fundamental question. Apart from building the thing, then what?

Joe Anderson: If we are serious about rebalancing the economy, we have to rebalance the way we fund cities and certain areas of the country. That is absolutely clear. The spend in the south and around London, as has just been explained with Crossrail, is about 10 times the amount that is spent in the north. I have made it absolutely clear that, if I had the choice about which I would build, whether HS3 or HS2, I would build HS3.

There is absolutely no question that for cities like Liverpool, core cities across the UK and others, austerity is really hurting. The fact is that, with further cuts coming down the line, and we know that, each city has to try to make its area sustainable and be able to not be reliant on Government grant, which is being reduced now. In order to do that, Liverpool needs to be

able to be competitive, and I am speaking on behalf of Liverpool—that is why I am here: for the Liverpool City Region. It also needs to be able to attract business and it needs to be able to sustain itself for the future. I think the disadvantage to Liverpool from HS2 will seriously impact on the economic growth within the Liverpool City Region. There are 1.5 million people. It has a bigger economy than Wales; it can make even more of a contribution to the UK. As I say, that can enable us not only to fend for ourselves but make a bigger contribution to the UK.

I believe the rhetoric around rebalancing the economy is ad hoc sometimes, especially from politicians down in this particular palace. I do not think there has been any real transport strategy for the UK. That is absolutely missing. You cannot disengage that from an economic strategy for the UK as well. For me, rebalancing the economy seems to be a throwaway strapline without any serious thinking. As I pointed out before when I made the comment, the real concern for the Liverpool City Region—and I do not speak for it, but I guess it is the same for the north-east, and particularly the likes of Newcastle and Hull—is that, if we are not connected, investment, as businesses look to invest for the future, will be more favourably looked at towards those that are connected. I would call on this Select Committee and call on people who are going to make the decision to look beyond the austerity constraints that we now face and look to the future. This is a 30-year project and, for me, I just think and believe that we should be making the case for further investment to connect right across from west to east, as well as that HS2 connection, to really benefit the whole of the UK. That is the only way that we are going to rebalance the economy.

Lord Rowe-Beddoe: I am interested that you have referred to austerity. I do not see much austerity with a £50 billion project that has been bandied about. That is a big slug of money. We are trying to figure out whether it is the right way to spend it.

Joe Anderson: I believe it is. Quite simply, it is over a 30-year period. If you buy a house, you cannot not do the repairs that are needed to your house, otherwise your investment will go down the drain.

Lord Rowe-Beard: What about this with your house? Why do we always have to start at the London end? Perhaps we should start at the top end with the roof.

Joe Anderson: I have made it absolutely clear that, if I were the Prime Minister, I would be investing in HS3 before HS2. There is also an equal argument that we do not need reminding of what has just happened in the devolution debate north of the border, and how people feel disconnected. We have a real opportunity here to reconnect the northern cities together, so that they do not feel disenfranchised from what is going on elsewhere. I would rather see connections to Glasgow, Edinburgh and other cities in Scotland as well, rather than the emphasis being on London. I make the point that I am still in favour of investment in HS2, quite simply because that is what other global cities worldwide are doing, and we do not want the country to be left behind.

Ross Smith: In terms of rebalancing the economy, we need three things. One is some specific investments in the north, and the parallel with Crossrail is a fair one. Secondly, it is decision-making that, in a north-east context, is suited to north-east conditions rather than being suited to London and south-east conditions. Thirdly, it is a much more sophisticated recognition around Government as to how decisions over different policy areas have different levels of impact in different parts of the country, rather than being blind to that. Transport is one element of that, but there is a whole series of other policy areas that are different elements to it as well.

In terms of the cost, I had my pie chart from the Chancellor through the door this week. The little orange segment that is devoted to transport I do not think is going to get that much broader in future years as a result of this investment in our railways, but we do, again as Dr

Kelly referred to earlier, have an infrastructure deficit in this country, and our members very clearly want to see a greater share of our public spending going on that infrastructure investment.

Dr Kelly: In many respects, it is what you might call a classic demand and supply issue for us, insofar as demand follows congestion at the moment to alleviate the congestion that we have on our transport situation, because of population growth in London and the like. You can see why transport spend is chasing the tail of the tiger, as it were. There is a large body of economic development evidence that highlights how transport infrastructure, if you put that as a supply-side proposition and put it in place, generates growth in itself. That tackles some of those problems about the inequalities between the two. I am particularly reluctant to agree with those policy wonks who take the view that we should close down the north of England and all move down to London here, which could only make your congestion problems worse.

Lord Rowe-Beddoe: I do not think anybody is suggesting that, are they?

Dr Kelly: I have heard policy wonks who have talked about “Forget Hull. Forget northern places of deprivation”.

Lord Rowe-Beddoe: To answer the question, would you start it from the north?

Dr Kelly: I would say yes. That investment, in terms of value-for-money impact, is one occasion where I would say top-down rather than bottom-up.

Lord Rowe-Beddoe: Thank you. Lastly, I am sure the alternative proposal has something to say here.

Steven Leigh: Many of my proposals are very similar to those of the other members of the panel. Success breeds success. There is evidence—we have heard it many times and seen many published reports—that, where places are connected, clusters of excellence develop. We have heard it this afternoon from France. If the connectivity exists, the opportunity for businesses to create clusters of excellence becomes more readily available. Therefore, in my

opinion and my Chamber's opinion, this east-west connectivity in the north is absolutely vital. If those towns and cities, all the way from Liverpool to Hull, have that faster connectivity, then clusters of excellence will develop that will mean that people will not necessarily have to go to London, which is largely the case. People come to London because London is connected with everywhere. On that basis, a consequence of the transport work in the north would be a tendency to rebalance the economy and close the north-south divide.

Q141 Baroness Blackstone: Whether you start in the north or whether you start in the south, can I press you all on whether you are happy about the level of public subsidy that is likely as a result of this project? If we assume about £60 billion to construct it and then about £30 billion back in revenues, that is still a huge hole there, something like another £30 billion that the taxpayer is going to have to fund. Is this something that you think is acceptable? Is the value of this so great that that degree of subsidy is desirable?

Joe Anderson: The idea that we do not invest in infrastructure, to me, is quite simply reckless.

Baroness Blackstone: You are not answering my question. I am not saying that we should not invest in infrastructure. It is this bit of infrastructure, in terms of a project, as against the alternatives.

Joe Anderson: If we were talking about this over a one-year period and we were talking about £50 billion over a one or two-year period, I would agree with you but, at this juncture and this time, we have more things to defend and more things to do. Over a 30-year period, it is absolutely right. In fact, I would argue that we need to invest more. I call it invest to earn. Quite simply, if you invest money, you will get a return on it if you do it properly and you do it well. That is what this is about. That is why I say the ambition has to be to make sure that the whole UK grows as a result of this investment, not just high speed, but freight.

Steven Leigh: I agree with the point that you are making. Obviously, a £40 billion project is a better investment than a £60 billion project, and I am sure that every politician in the land could do something very useful with £20 billion, if that is a saving. My view is that we definitely agree with the high-speed rail network. We want to invest, but with any investment, the less you invest, by definition, the better the return. Particularly if the services delivered are also greatly better on an alternative plan, I see a tremendous return on the investment. On HS2, I see a disastrous return on investment, because it could be so much better.

Ross Smith: I have not seen a serious alternative to address the major capacity issue that we have and that investment simply has to be made. I would probably agree with Mayor Anderson that we should be investing more. Clearly, you would expect me to say this: in due course, we want to see this as part of a full national network that goes beyond Leeds through the north-east to Scotland.

Dr Kelly: When it is put as starkly as £60 billion worth of costs and £30 billion worth of subsidy it does look rather eye-watering. You have to combine that with what it leads to in terms of greater economic growth for the country, and that needs to be put into the equation. I have not done those figures, but I would broadly agree with the assumption that transport spending does generate economic growth, certainly compared with some other types of spending.

Q142 The Chairman: Our previous witness struggled to find a relationship between transport investment and economic growth in France, so there are obviously different opinions. It seems to be clear that the four of you are very much in favour of what has been called HS3, which is a trans-Pennine link. If that bit of the pie chart is not to grow, that might possibly be your priority. I am putting words in your mouth. You can disagree.

Ross Smith: There is a strong argument for those east-west connections. It is something that clearly needs to improve in the north of England. Anyone who is travelling across the Pennines would echo that very readily. However, we still need to invest in that capacity on our main north-south rail routes. We cannot get away from that. We need to make an investment that will address those issues.

The Chairman: Thank you very much indeed. That brings this session to an end. Thank you for your helpful answers.